

COUNCIL AGENDA: 11-08-05

ITEM: 6.2

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: William F. Sherry, A.A.E.

SUBJECT: SEE BELOW

DATE: 11-02-05

Approved

Date

11/2/05

FIRST AMENDMENT TO THE RICONDO & ASSOCIATES AIRPORT FINANCIAL FEASIBILITY CONSULTANT AGREEMENT

RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute the First Amendment to the Agreement with Ricondo & Associates, Inc., for airport financial feasibility consultant services to amend the Scope of Services to provide for the next phase of consultant services as part of a multi-phase work effort, with a near-term goal of developing an Airport business plan and for consultant services to support airline lease negotiations, and to increase the maximum compensation from \$300,000 to \$900,000.

CEQA: Resolutions No. 67380 and 71451, PP 05-186

BACKGROUND

The City issued a Request for Qualifications ("RFQ") on May 2, 2005, inviting experienced airport feasibility consultants to submit responses to the RFQ for the purpose of contracting for financial feasibility consulting services for the Airport. Five written responses to the RFQ were received by the submission deadline of May 18, 2005, and all five firms interviewed with the selection panel on June 1, 2005. As required by Chapter 4.06 of the San José Municipal Code, the appropriate point values were included in the rating criteria for small and local businesses. Based on the completion of the above outlined process, Ricondo & Associates, Inc. ("Ricondo") was selected as the best and most qualified firm to serve in the capacity of airport financial feasibility consultant for the Airport Master Plan projects. The agreement for the first phase of work in this multi-phase work effort was approved by the City Council on June 21, 2005.

ANALYSIS

The initial term of the Agreement is from July 1, 2005 to June 30, 2008 in an amount not to exceed \$300,000 with up to two one-year options to extend the Agreement at the City's sole

discretion with no additional compensation. Work to date has focused on the first phase of a multi-phase project that included development of an updated activity forecast, and assisting the Airport in analyzing the financial impacts of the capital development program, including the analysis of several alternative airport development scenarios in preparation for the recent Airport stakeholder workshop. Based on the accelerated schedule required to meet the workshop timeline and Ricondo's strong performance on the first phase of this work assignment, staff is now returning to the City Council to amend the Agreement to increase compensation by \$600,000, which includes compensation for both professional services and reimbursable expenses, and to further define the ongoing Scope of Services.

The Scope of Services currently includes specialized services to complete financial analyses and modeling related to the Airport Master Plan; financial feasibility reports related to potential Airport revenue, PFC and rental car financings; and to provide expertise and analyses in the area of new or modified rate-setting methodologies. Ricondo's immediate work effort will continue to involve further refinement of the work started in July 2005, and it is anticipated that after this amendment, work will also begin on the next phase of this multi-phase effort. Under the amended Scope of Services, this second phase of work is expected to also include: review and identification of revenue enhancement alternatives; assistance with airline agreement development and negotiations, including examination of alternative rate setting methodologies; completion of financial feasibility reports related to the issuance of bonds; and development of a formal business plan for the Airport that brings together workshop outcomes, the updated activity forecast, the proposed capital development program, revenue enhancement alternatives, and the proposed new airline business arrangement and rate setting methodology.

COMPLIANCE WITH LOCAL PREFERENCE ORDINANCE

The City's Local Preference Ordinance (Municipal Code Chapter 4.06) requires that the City obtain three competitive proposals, if practicable, on all professional services contracts with a payment amount exceeding \$5,000. For professional services contracts where price is not the determinative factor, proposers that qualify as local business enterprises are to be given a credit equal to five percent of the total points used to determine the most advantageous proposal to the City. Local business enterprises that also qualify as small business enterprises are to be given an additional credit equal to five percent of the total points used to determine the most advantageous proposal to the City. Unless Council determines that it is not practicable for the City to obtain three competitive proposals, the Local Preference Ordinance requirements apply to consultant agreement amendments such as the proposed First Amendment to increase the compensation and amend the Scope of Services.

Ricondo's role is critical to on-going financial feasibility analyses of the Airport Master Plan projects and is integral to the development of a business plan and work pertaining to upcoming airline lease negotiations. The June 21, 2005, Council resolution was for the first phase of a multi-phased project and the selection of Ricondo complied with the City's Local Preference Ordinance. This First Amendment seeks to further clarify the additional services and compensation necessary for the next phase of the multi-phase project.

Staff recommends that Council determine that it is not practicable to obtain three competitive proposals for the additional consultant services included in the proposed First Amendment.

OUTCOMES

The outcome of this Amendment will be to increase the compensation in the existing Agreement for Consultant Services, and to further define the Scope of Services.

PUBLIC OUTREACH

Public outreach was conducted as part of the RFQ process in May 2005 and included posting of the RFQ to the Airport website, Airport Council International's website, and the American Association of Airport Executives website, as well as the published newsletter of American Association of Airport Executives.

This proposed amendment was discussed at the Airport Airline Affairs Committee ("AAAC") meeting on October 24, 2005.

COORDINATION

This report has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

COST IMPLICATIONS

The feasibility consultant fees will be paid out of the Airport's Maintenance & Operations Fund, which is the existing funding source. It is anticipated, however, that the Airport's Maintenance & Operations Fund could be reimbursed from bond proceeds for the portion of the feasibility consultant fees associated with the preparation of financial feasibility reports completed for and included in a bond issue's Official Statement. This amendment increases the contract value from the initial amount of \$300,000 by \$600,000 for a total of \$900,000.

HONORABLE MAYOR AND CITY COUNCIL

11-02-05

Subject: First Amendment to the Ricondo & Associates Inc. for Airport Financial Feasibility Consultant Agreement

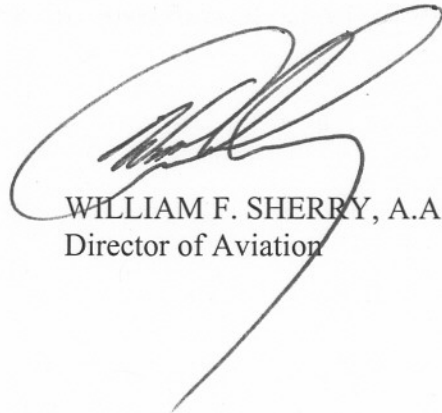
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BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC #	Total Appn	Amt. for Contract	2005-2006 Proposed Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	Airport NonPers/Equip	105110	\$33,171,336	\$900,000	Page XI-3	6/21/05 Ord. #27474

CEQA

Resolution Nos. 67380 and 71451, PP 05-186.



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Director of Aviation

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